

June 4, 2009

RIte Care Data Book

State of Rhode Island

Final & Confidential

Contents

1. Introduction.....	3
2. Capitation Rates and Demographics	4
3. Rate Development and Methodology.....	5
4. Appendices.....	12

1

INTRODUCTION

The Rhode Island Department of Human Services (DHS, the State) requested that HealthCare Analytics assist it in developing actuarially sound capitation rates for the rate period 7/1/2009 through 6/30/2010 for RIte Care, a Medicaid managed care program implemented under the Rhode Island Global Consumer Choice Compact 1115 Waiver Demonstration.

This document presents an outline of the development of actuarially sound capitation rates that were made consistent with the guidance provided in the Centers for Medicare and Medicaid Services (CMS) Rate Checklist, and which is sought for the purpose of attaining rate approval from CMS under 42 CFR 438.6(c).

The rates were developed from existing claims data for the target populations, which were adjusted, smoothed and trended the rate period. Adjustments were made to account for off-line expenses not reflected in the claims data, as well as programmatic changes that will impact future claims. Such programmatic changes include the Generics Drug First program initiative, introduced effective 2/1/2009, and the inclusion CAITS services as in-plan benefits effective 4/1/2009. The claims were trended forward to the rate period using the indicated trends in the claims data, tempered by observations of general trends in the marketplace for Medicaid managed care. Finally, administrative and premium tax loads were included, as applicable, to develop actuarially sound capitation rates.

Rates, trends, assumptions and observations of the underlying data in support of the proposed capitation rates for RIte Care for the rate period 7/1/2009 – 6/30/2010 were performed in consultation with the actuarial firm of Donlon & Associates, which also provides the certification letter required by CMS. HealthCare Analytics relied on data produced by Strategies and Solutions for the State.

2

CAPITATION RATES & DEMOGRAPHICS

Since its inception, RIte Care has been providing eligible children and their families with comprehensive health coverage through the three largest health plans in Rhode Island, including Neighborhood Health Plan of Rhode Island (NHPRI), United Healthcare of New England (UHCNE) and Blue Cross and Blue Shield of Rhode Island (BCBSRI). The health plans have been reimbursed on a capitation rate basis, based on rate cells that are largely age and gender driven, whereas Extended Family Planning (EFP) is paid for certain qualifying post-partum women for a restricted benefit package, and SOBRA is a lump sum payment made for eligible pregnant women for the care and delivery of their child.

The capitation rates and SOBRA payments (including administrative and premium tax loads) for the rate period 7/1/2009 – 6/30/2010 are as follows (see exhibit 10 in the appendix for additional details):

Table 1

Capitation Rate Cell	January 2009 Enrollment	Proposed SFY 2010 Capitation Rates
MF <1	5,563	\$ 585.86
MF 1-5	20,871	\$ 154.12
MF 6-14	28,859	\$ 138.02
Males 15-44	11,423	\$ 198.08
Females 15-44	29,291	\$ 296.05
<u>MF >44</u>	<u>4,666</u>	<u>\$ 467.71</u>
Total ¹	100,673	\$ 234.18
EFP	2,228	\$ 16.95
SOBRA		\$ 9,966
¹ Total based on January 2009 enrollment		

3

RATE DEVELOPMENT METHODOLOGY

Claims & Enrollment Data

Claims data was provided by Strategies and Solutions on behalf of the State, which we used to develop the capitation rates exhibited in the above table. The data reports, which was based on encounter data, covered State Fiscal Years (SFY) July through June ending in 2006, 2007 and 2008, stated on an incurred basis, paid through November, 2008 and estimated at 100% complete. The claims data was delineated by rate cell and by service categories that included facility, professional and pharmacy detail which allowed us to examine historical patterns for cost and utilization levels (see exhibit 1 in the appendix).

DHS staff provided additional information with which adjustments were made to the claims data for SFY 2006, SFY 2007 and SFY 2008. These adjustments were for off-line expenses not available in the claims (encounter data) system and included pharmacy rebates, reinsurance recoveries, and behavioral health management fees, which were identified and reconciled between DHS staff and the health plans.

DHS staff also provided enrollment data for SFY 2006, SFY 2007, SFY 2008 and January 2009 for each of the rate cells under consideration. The enrollment was based on the payments made to the health plans during the stated periods (see exhibit 2 in the appendix).

Base Period Data

Given the length of the program and fairly stable population in RIte Care, SFY 2008, the most recent experience period available for review, was selected as the base period from which forecasts and projections were made for the development of the capitation rates. No further adjustments were deemed necessary to enhance the credibility of the base period.

Table 2

SFY 2008 Encounter Data Excluding SOBRA & EFP		
<u>Rate Cell</u>	<u>Claims PMPM</u>	<u>Avg. Members</u>
Male & Female <1	\$ 461.74	5,743
Male & Female 1-5	\$116.45	20,957
Male & Female 6-14	\$100.35	31,357
Male 15-44	\$159.43	12,325
Female 15-44	\$242.97	31,101
<u>Male & Female 45 +</u>	<u>\$393.89</u>	<u>5,001</u>
Total	\$185.29	106,483

Completion Ratios

All claims data including SFY 2006, SFY 2007 and SFY 2008 were presented on an incurred basis paid through November 2008 and estimated complete at 100%. HealthCare Analytics relied on data provided by Strategies and Solutions on behalf of the State. The completion ratios developed by Strategies and Solutions were:

Table 3

Completion Ratios			
<u>Service Category</u>	<u>SFY 2006</u>	<u>SFY 2007</u>	<u>SFY 2008</u>
Inpatient	1.0000	0.9994	0.9675
Outpatient	1.0000	0.9992	0.9811
Professional	1.0000	0.9994	0.9888
<u>Pharmacy</u>	<u>1.0000</u>	<u>0.9999</u>	<u>0.9983</u>
Total	1.0000	0.9994	0.9821

Trends

We evaluated the year over year and the two-year trends from SFY 2006 through SFY 2008 and noticed an uptick in the trends. Based on this observation and market indicators we felt it was appropriate to use a higher trend than that which is indicated by the two-year average trend. Since trends calculated on composite PMPMs inherently contain the effects of the shift over time in the mix of enrollment in the various rate cells, we adjusted the composite PMPMs to factor out the effects of this demographic shift by restating the experience of each rate cell on a common enrollment distribution in the rate cells (see table below, exhibits 3 & 4 in the appendix).

Type of Service Summary	SFY 2006	SFY 2007	SFY 2008
Total Claims Experience excluding EFP	\$ 165.40	\$ 172.53	\$ 185.29
<u>Demographic Shift Adjustment</u>	<u>1.00639</u>	<u>1.00566</u>	<u>1.00093</u>
Demographic Shift-Adjusted Claims Experience	\$ 166.45	\$ 173.51	\$ 185.46
		Selected Trend:	6.40%

Table 5
Generic Drugs First Adjustment:

Rite Care July 1, 2009 - June 30, 2010							
Generic Drug First*							
Program Initiative Rate Adjustment							
Age/Sex Cell	Members @ 1/31/09	Total Net Rx PMPM ¹	Non-Exempt Brand PMPM	Generic / Brand Price Differential	Adjustment to N.E. Brand		Total Adjustment Rx PMPM
					Rx PMPM	Rebates ²	
MF <1	5,563	\$ 20.19	\$ 3.07	-82%	\$ (2.51)	\$ 0.40	\$ (2.11)
MF 1-5	20,871	\$ 12.30	\$ 2.84	-78%	\$ (2.23)	\$ 0.19	\$ (2.04)
MF 6-14	28,859	\$ 21.49	\$ 8.53	-80%	\$ (6.84)	\$ 0.23	\$ (6.61)
Males 15-44	11,423	\$ 34.65	\$ 12.75	-86%	\$ (10.98)	\$ 0.38	\$ (10.59)
Females 15-44	29,291	\$ 50.45	\$ 17.51	-85%	\$ (14.96)	\$ 0.56	\$ (14.41)
MF >44	4,666	\$ 105.00	\$ 39.18	-84%	\$ (33.08)	\$ 0.96	\$ (32.12)
Total	100,673	\$ 33.31	\$ 11.56	-84%	\$ (9.69)	\$ 0.38	\$ (9.32)
* Refer to the Amended Rite Care Data Book dated December 12, 2008 (for the 7/1/08 - 6/30/09 rate period) for a complete description of the Generic Drug First program initiative, and the methodology for the rate adjustment							
¹ Total Net Rx PMPM includes rebates							
² Adjustment to rebates assumes no rebates available for generic substitutions on N.E. Brand							

Table 6
CAITS In-Plan Benefit Adjustment

Rite Care July 1, 2009 - June 30, 2010							
CAITS* PMPM Projections as In-Plan Services							
For Rite Care Eligibles							

Managed Care Adjustments

RIte Care is a mature program that in the absence of new initiatives already reflects any savings and adjustments that may accrue due to the managed care environment in the delivery of health care services. Therefore, no further adjustments were made in this rating cycle for managed care.

Administrative Load & Premium Tax

The administrative load was increased 3.5% on last rate period's rates across all rate cells except EFP and SOBRA. Since the definition for EFP services was revised to include contraceptive management and related services, EFP claims expense was thus restated at higher levels than were previously stated. To be consistent with the other rate cells, the EFP administrative load was rebalanced to reflect the weighted average administrative load of the other rate cells (excluding SOBRA).

The capitation rates for all the rate cells (except SOBRA) were also loaded for 2% premium tax, a recently enacted legislation. The resulting total load was on average 11% to 12% of the capitation rate for each rate cell.

The SOBRA administrative load was held level at the current (7/08 – 6/09) rate. At \$777 per payment, the administrative load is at 7.8% of the SOBRA payment rate.

Thus the base period experience PMPM (SFY '08) was trended for 2 years at the selected trend of 6.4%, adjusted for the impact of the new EPSDT periodicity tables, the implementation of Generic Drugs First program initiative and the inclusion of CAITS services as in-plan benefits. The resultant PMPM was then loaded for administration and premium tax.

Table 7

Base Period PMPM (SFY 2008) Excluding SOBRA & EFP	\$	185.29
Selected Trend for Projection		6.40%
Projection Period (years)		2
Projected 7/1/09 - 6/30/10 PMPM Excluding SOBRA & EFP	\$	209.76
<u>Adjustments:</u>		
EPSDT ¹	\$	0.61
Generic Drugs First Program Initiative ²	\$	(9.32)
<u>CAITS In-Plan Services</u> ³	\$	6.79
Subtotal Medical PMPM 7/1/09 - 6/30/10	\$	207.84
Projected Admin. Exp. 7/1/09 - 6/30/10	\$	21.66
<u>2% Premium Tax 7/1/09 - 6/30/10</u>	\$	4.68
Projected 7/1/09 - 6/30/10 PMPM Excluding SOBRA & EFP	\$	234.18

SOBRA

The SOBRA payment rate was developed based on the plan submitted Encounter data extracted by Strategies and Solutions for SFY 2006, SFY 2007 and SFY 2008, incurred and paid through November 2008, estimated 100% complete. For this rating cycle, the State refined the definition of SOBRA to exclude contraceptive management and related services. These services were, however, included in EFP expenses. We observed a sharp increase in the net cost per birth in the latest year-over-year period as compared to the previous year-over-year period, however DHS attributed the increase in part to contracting timing and not an indication of long term trends. We therefore moderated the indicated two-year trend of 8.4% to 8% per year (see exhibit 7).

Table 8

SOBRA Experience					
	SFY 2006	SFY 2007	SFY 2008		
Claims Expense	\$ 35,256,812	\$ 37,277,395	\$ 41,366,144	Year-Over-Year Trends	
Number of Births	5,261	5,275	5,251	'08 vs '07	'07 vs '06
Net Cost / Birth	\$ 6,702	\$ 7,067	\$ 7,878	11.5%	5.5%
Two-Year Average Trend	8.4%				
SOBRA Payment Rate Development		SFY 2010 Rate Dev.			
SFY 2008 Net Cost / Birth		\$ 7,878			
Applied Annual Trend		8.0%			
Projected Net Payment Rate for 7/08-6/09		\$ 9,189			
7/1/09 - 6/30/10 SOBRA Admin. Load Rate		7.8%			
7/1/09 - 6/30/10 SOBRA Admin. Load		\$ 777			
Projected SOBRA Rate for 7/1/09 - 6/30/10		\$ 9,966			

Risk Share / Gain Share

The State's risk sharing provision with the health plans shall remain unchanged from last period's rating cycle.

Actuarial Certification

The capitation rates exhibited in table 1 above along with all supporting exhibits in the appendix of this document received an actuarial certification under a separate cover from the actuarial firm of Donlon & Associates, Inc.

4

APPENDICES

APPENDIX 1

Rite Care July 1, 2009 - June 30, 2010
Aggregate Plan-Submitted Claims Experience
Excluding SOBRA & EFP

SFY 2006 Rite Care PLAN Experience

Type of Service Summary	MF< 1 Year	MF 1-5 Years	MF 6-14 Years	M 15-44 Years	F 15-44 Years	MF > =45 Years	Total
Facility	\$ 19,344,852	\$ 11,294,356	\$ 14,845,435	\$ 12,150,940	\$ 40,950,486	\$ 9,955,901	\$ 108,541,969
Professional	\$ 8,470,342	\$ 12,256,001	\$ 13,034,964	\$ 7,971,091	\$ 28,779,762	\$ 6,906,173	\$ 77,418,333
<u>Pharmacy</u>	<u>\$ 465,965</u>	<u>\$ 2,691,180</u>	<u>\$ 7,387,557</u>	<u>\$ 5,501,606</u>	<u>\$ 19,913,241</u>	<u>\$ 7,058,050</u>	<u>\$ 43,017,599</u>
Total	\$ 28,281,159	\$ 26,241,537	\$ 35,267,956	\$ 25,623,636	\$ 89,643,489	\$ 23,920,124	\$ 228,977,901
Average Members	5,619	22,176	34,097	13,846	34,248	5,384	115,369
Total PMPM	\$ 419.46	\$ 98.61	\$ 86.19	\$ 154.22	\$ 218.12	\$ 370.23	\$ 165.40

SFY 2007 Rite Care PLAN Experience

Type of Service Summary	MF< 1 Year	MF 1-5 Years	MF 6-14 Years	M 15-44 Years	F 15-44 Years	MF > =45 Years	Total
Facility	\$ 21,022,182	\$ 12,361,551	\$ 16,014,913	\$ 11,229,866	\$ 41,938,225	\$ 10,784,545	\$ 113,351,282
Professional	\$ 7,610,976	\$ 12,312,451	\$ 14,031,340	\$ 7,651,340	\$ 28,198,077	\$ 6,915,224	\$ 76,719,409
<u>Pharmacy</u>	<u>\$ 1,085,569</u>	<u>\$ 2,825,865</u>	<u>\$ 7,289,781</u>	<u>\$ 5,027,801</u>	<u>\$ 18,489,093</u>	<u>\$ 6,240,706</u>	<u>\$ 40,958,815</u>
Total	\$ 29,718,726	\$ 27,499,867	\$ 37,336,034	\$ 23,909,008	\$ 88,625,395	\$ 23,940,476	\$ 231,029,506
Average Members	5,615	21,479	33,078	13,311	32,891	5,211	111,586
Total PMPM	\$ 441.05	\$ 106.69	\$ 94.06	\$ 149.68	\$ 224.54	\$ 382.83	\$ 172.53

SFY 2008 Rite Care PLAN Experience

Type of Service Summary	MF< 1 Year	MF 1-5 Years	MF 6-14 Years	M 15-44 Years	F 15-44 Years	MF > =45 Years	Total
Facility	\$ 22,628,781	\$ 13,861,811	\$ 16,660,432	\$ 11,320,436	\$ 44,137,831	\$ 10,838,839	\$ 119,448,129
Professional	\$ 7,881,381	\$ 12,510,866	\$ 13,477,501	\$ 7,430,595	\$ 28,799,346	\$ 6,862,722	\$ 76,962,411
<u>Pharmacy</u>	<u>\$ 1,308,774</u>	<u>\$ 2,913,121</u>	<u>\$ 7,620,301</u>	<u>\$ 4,827,953</u>	<u>\$ 17,740,605</u>	<u>\$ 5,938,011</u>	<u>\$ 40,348,766</u>
Total	\$ 31,818,935	\$ 29,285,798	\$ 37,758,235	\$ 23,578,984	\$ 90,677,782	\$ 23,639,572	\$ 236,759,306
Average Members	5,743	20,957	31,357	12,325	31,101	5,001	106,483
Total PMPM	\$ 461.74	\$ 116.45	\$ 100.35	\$ 159.43	\$ 242.97	\$ 393.89	\$ 185.29

Rite Care July 1, 2009 - June 30, 2010
Average Members

Rate Cell	SFY 2006	SFY 2007	SFY 2008	Jan-09
MF <1	5,619	5,615	5,743	5,563
MF 1-5	22,176	21,479	20,957	20,871
MF 6-14	34,097	33,078	31,357	28,859
Males 15-44	13,846	13,311	12,325	11,423
Females 15-44	34,248	32,891	31,101	29,291
<u>MF >45</u>	<u>5,384</u>	<u>5,211</u>	<u>5,001</u>	<u>4,666</u>
Subtotal	115,369	111,586	106,483	100,673
<u>EFP</u>	<u>1,902</u>	<u>2,018</u>	<u>2,125</u>	<u>2,228</u>
Total w/ EFP	117,271	113,604	108,607	102,901

RItE Care July 1, 2009 - June 30, 2010

Demographic Shift Adjustment

Plan Experience Excluding SOBRA & EFP

<u>Rate Cell</u>	SFY 06 Avg. Members	SFY 06 Exp.	SFY 06 PMPM	Jan 2009 Avg. Members	Adj'd SFY 06 PMPM
MF <1	5,619	\$ 419.46	\$ 20.43	5,563	\$ 23.18
MF 1-5	22,176	\$ 98.61	\$ 18.95	20,871	\$ 20.44
MF 6-14	34,097	\$ 86.19	\$ 25.47	28,859	\$ 24.71
Males 15-44	13,846	\$ 154.22	\$ 18.51	11,423	\$ 17.50
Females 15-44	34,248	\$ 218.12	\$ 64.75	29,291	\$ 63.46
<u>MF >44</u>	<u>5,384</u>	<u>\$ 370.23</u>	<u>\$ 17.28</u>	<u>4,666</u>	<u>\$ 17.16</u>
Total	115,369	\$ 165.40	\$ 165.40	100,673	\$ 166.45
Demographic Shift Adjustment:					1.00639

<u>Rate Cell</u>	SFY 07 Avg. Members	SFY 07 Exp.	SFY 07 PMPM	Jan 2009 Avg. Members	Adj'd SFY 07 PMPM
MF <1	5,615	\$ 441.05	\$ 22.19	5,563	\$ 24.37
MF 1-5	21,479	\$ 106.69	\$ 20.54	20,871	\$ 22.12
MF 6-14	33,078	\$ 94.06	\$ 27.88	28,859	\$ 26.96
Males 15-44	13,311	\$ 149.68	\$ 17.86	11,423	\$ 16.98
Females 15-44	32,891	\$ 224.54	\$ 66.19	29,291	\$ 65.33
<u>MF >44</u>	<u>5,211</u>	<u>\$ 382.83</u>	<u>\$ 17.88</u>	<u>4,666</u>	<u>\$ 17.74</u>
Total	111,586	\$ 172.53	\$ 172.53	100,673	\$ 173.51
Demographic Shift Adjustment:					1.00566

<u>Rate Cell</u>	SFY 08 Avg. Members	SFY 08 Exp.	SFY 08 PMPM	Jan 2009 Avg. Members	Adj'd SFY 08 PMPM
MF <1	5,743	\$ 461.74	\$ 24.90	5,563	\$ 25.51
MF 1-5	20,957	\$ 116.45	\$ 22.92	20,871	\$ 24.14
MF 6-14	31,357	\$ 100.35	\$ 29.55	28,859	\$ 28.77
Males 15-44	12,325	\$ 159.43	\$ 18.45	11,423	\$ 18.09
Females 15-44	31,101	\$ 242.97	\$ 70.96	29,291	\$ 70.69
<u>MF >44</u>	<u>5,001</u>	<u>\$ 393.89</u>	<u>\$ 18.50</u>	<u>4,666</u>	<u>\$ 18.26</u>
Total	106,483	\$ 185.29	\$ 185.29	100,673	\$ 185.46
Demographic Shift Adjustment:					1.00093

RItE Care July 1, 2009 - June 30, 2010
Demographic Shift Adjusted Plan Experience (PMPM)
Excluding SOBRA & EFP

Type of Service Summary	SFY 2006	SFY 2007	SFY 2008	'07 over '06 Trend	'08 over '07 Trend	2-yr. Avg. Trend
Total Claims Experience excluding EFP	\$ 165.40	\$ 172.53	\$ 185.29	4.32%	7.39%	5.84%
<u>Demographic Shift Adjustment</u>	<u>1.00639</u>	<u>1.00566</u>	<u>1.00093</u>			
Demographic Shift-Adjusted Claims Experience	\$ 166.45	\$ 173.51	\$ 185.46	4.24%	6.89%	5.56%

Selected Trend:	6.40%
------------------------	--------------

Rite Care July 1, 2009 - June 30, 2010
Extended Family Planning (EFP)

	<u>PMPM</u>
SFY 2008 EFP Claims PMPM	\$ 13.29
<u>Applied Trend</u>	<u>6.4%</u>
Projected 7/1/09 - 6/30/10 EFP Claims Expense	\$ 15.04
<u>Projected 7/1/09 - 6/30/10 EFP Admin Expense ¹</u>	<u>\$ 1.91</u>
Total Projected 7/1/09 - 6/30/10 EFP Payment Rate	\$ 16.95
January 2009 EFP Members	2,228

¹ Admin Expense Includes 2% Premium Tax

RIte Care July 1, 2009 - June 30, 2010
Projected PMPM
Excluding SOBRA

Base Period PMPM (SFY 2008) Excluding SOBRA & EFP	\$	185.29
Selected Trend for Projection		6.40%
Projection Period (years)		2
Projected 7/1/09 - 6/30/10 PMPM Excluding SOBRA & EFP	\$	209.76
<u>Adjustments:</u>		
EPSTD ¹	\$	0.61
Generic Drugs First Program Initiative ²	\$	(9.32)
<u>CAITS In-Plan Services³</u>	\$	<u>6.79</u>
Subtotal Medical PMPM 7/1/09 - 6/30/10	\$	207.84
Projected Admin. Exp. 7/1/09 - 6/30/10	\$	21.66
<u>2% Premium Tax 7/1/09 - 6/30/10</u>	\$	<u>4.68</u>
Projected 7/1/09 - 6/30/10 PMPM Excluding SOBRA & EFP	\$	234.18

¹ EPSTD Adjustment reflects changes as recommended by the Association of American Pediatrics, and is applied to rate cells: MF <1; MF 1-5; MF 6-14 only

² Generic Drugs First program initiative promotes the substitution of generics for non-exempt brand drugs, as defined by the health plan advisory coalition. Exceptions will be allowed on a medical necessity basis, the financial risk for which will be borne by the State

³ CAITS In-Plan Services, also known as Children & Adolescent Intensive Treatment Services, refers to a set of services moved to in-plan benefits that was formerly an out-of-plan benefit

Rite Care July 1, 2009 - June 30, 2010
Projected SOBRA Payment Rate

<u>SOBRA Experience</u>			
	<u>SFY 2006</u>	<u>SFY 2007</u>	<u>SFY 2008</u>
Claims Expense	\$ 35,256,812	\$ 37,277,395	\$ 41,366,144
Number of Births	5,261	5,275	5,251
Net Cost / Birth	\$ 6,702	\$ 7,067	\$ 7,878

<u>Year-Over-Year Trends</u>	
'08 vs '07	'07 vs '06
11.5%	5.5%

Two-Year Average Trend 8.4%

<u>SOBRA Payment Rate Development</u>	<u>SFY 2010 Rate Dev.</u>
SFY 2008 Net Cost / Birth	\$ 7,878
Applied Annual Trend	8.0%
Projected Net Payment Rate for 7/08-6/09	\$ 9,189
7/1/09 - 6/30/10 SOBRA Admin. Load Rate	7.8%
7/1/09 - 6/30/10 SOBRA Admin. Load	\$ 777
Projected SOBRA Rate for 7/1/09 - 6/30/10	\$ 9,966

**Rite Care July 1, 2009 - June 30, 2010
Generic Drug First*
Program Initiative Rate Adjustment**

7/1/07 - 6/30/08 Rite Care Pharmacy Experience

Age/Sex Cell	SFY '08 Average Members	Non-Exempt Brand		Non-Exempt Generic		Exempt		OTC / Unclassified		Total		Rx Admin	Rebates	
		Pct	PMPM	Pct	PMPM	Pct	PMPM	Pct	PMPM	Pct	PMPM		Non-Exempt Brand	Exempt
MF <1	5,743	14%	\$ 2.89	20%	\$ 4.15	61%	\$ 12.86	6%	\$ 1.20	100%	\$ 21.10	\$ 0.41	\$ (0.46)	\$ (2.03)
MF 1-5	20,957	22%	\$ 2.68	35%	\$ 4.23	38%	\$ 4.60	5%	\$ 0.61	100%	\$ 12.12	\$ 0.10	\$ (0.23)	\$ (0.40)
MF 6-14	31,357	39%	\$ 8.04	20%	\$ 4.23	39%	\$ 8.09	2%	\$ 0.34	100%	\$ 20.71	\$ 0.09	\$ (0.27)	\$ (0.27)
Males 15-44	12,325	36%	\$ 12.02	25%	\$ 8.43	38%	\$ 12.53	1%	\$ 0.40	100%	\$ 33.37	\$ 0.14	\$ (0.42)	\$ (0.44)
Females 15-44	31,101	34%	\$ 16.50	26%	\$ 12.72	38%	\$ 18.71	1%	\$ 0.71	100%	\$ 48.65	\$ 0.22	\$ (0.61)	\$ (0.69)
MF >44	5,001	37%	\$ 36.93	26%	\$ 25.91	36%	\$ 36.19	2%	\$ 1.71	100%	\$ 100.74	\$ 0.35	\$ (1.07)	\$ (1.05)
Total	106,483	34%	\$ 11.00	25%	\$ 8.21	39%	\$ 12.60	2%	\$ 0.62	100%	\$ 32.42	\$ 0.17	\$ (0.43)	\$ (0.57)

Selected Pharmacy Trend **3.0%**
Trend Period - Months **24**
Trend Factor **1.061**

Projected 7/1/09 - 6/30/10 Rite Care Pharmacy Experience

Age/Sex Cell	Members @ 1/31/09	Non-Exempt Brand		Non-Exempt Generic		Exempt		OTC / Unclassified		Total		Rx Admin	Rebates	
		PMPM		PMPM		PMPM		PMPM		PMPM			N.E. Brand	Exempt
MF <1	5,563	\$ 3.07		\$ 4.40		\$ 13.64		\$ 1.27		\$ 22.39		\$ 0.44	\$ (0.48)	\$ (2.15)
MF 1-5	20,871	\$ 2.84		\$ 4.49		\$ 4.88		\$ 0.64		\$ 12.85		\$ 0.11	\$ (0.24)	\$ (0.42)
MF 6-14	28,859	\$ 8.53		\$ 4.49		\$ 8.59		\$ 0.36		\$ 21.97		\$ 0.10	\$ (0.29)	\$ (0.29)
Males 15-44	11,423	\$ 12.75		\$ 8.94		\$ 13.29		\$ 0.42		\$ 35.40		\$ 0.15	\$ (0.45)	\$ (0.46)
Females 15-44	29,291	\$ 17.51		\$ 13.49		\$ 19.85		\$ 0.76		\$ 51.61		\$ 0.23	\$ (0.65)	\$ (0.74)
MF >44	4,666	\$ 39.18		\$ 27.49		\$ 38.39		\$ 1.81		\$ 106.88		\$ 0.37	\$ (1.14)	\$ (1.11)
Total	100,673	\$ 11.56		\$ 8.68		\$ 13.29		\$ 0.66		\$ 34.19		\$ 0.18	\$ (0.45)	\$ (0.60)

Non-Exempt Brand Pharmacy Projected Costs & Savings

New Example Brand Pharmacy Projected Savings									
Age/Sex Cell	Members @ 1/31/09	N.E. Brand Gross PMPM	Util Reduction	Generic Price Differential	N.E. Brand Net PMPM	N.E. Brand Savings PMPM	Adj. to Rebates N.E. Brand		
MF <1	5,563	\$ 3.07	0%	-82%	\$ 0.56	\$ (2.51)	\$ 0.40		
MF 1-5	20,871	\$ 2.84	0%	-78%	\$ 0.61	\$ (2.23)	\$ 0.19		
MF 6-14	28,859	\$ 8.53	0%	-80%	\$ 1.69	\$ (6.84)	\$ 0.23		
Males 15-44	11,423	\$ 12.75	0%	-86%	\$ 1.77	\$ (10.98)	\$ 0.38		
Females 15-44	29,291	\$ 17.51	0%	-85%	\$ 2.54	\$ (14.96)	\$ 0.56		
MF >44	4,666	\$ 39.18	0%	-84%	\$ 6.11	\$ (33.08)	\$ 0.96		
Total	100,673	\$ 11.56	0%	-84%	\$ 1.87	\$ (9.69)	\$ 0.38		

Total Generic First Adjustment
\$ (2.11)
\$ (2.04)
\$ (6.61)
\$ (10.59)
\$ (14.41)
\$ (32.12)
\$ (9.32)

* Refer to the Amended Rite Care Data Book dated December 12, 2008 (for the 7/1/08 - 6/30/09 rate period) for a complete description of the Generic Drug First program initiative, and the methodology for the rate adjustment

Rite Care July 1, 2009 - June 30, 2010
CAITS* PMPM Projections as In-Plan Services
For Rite Care Eligibles

Cap Cell	7/1/07 - 6/30/08	
	Avg. RC Members	CIS PMPM
MF 1-5	20,957	\$ 10.68
MF 6-14	31,357	\$ 24.28
M 15-44	12,325	\$ 8.38
F 15-44	31,101	\$ 3.71

Projected to the Rate Period 7/1/09 - 6/30/10, at Selected Trends

Periods	Annual Trend	Trend Period (Yrs.)	Trend Factor
Trend to 8/1/08 ¹	8.5%	0.583	1.049
Trend from 8/1/08 to midpoint (1/1/09) ¹	0.0%	1.417	1.000

Cap Cell	RC Mems @ 1/31/2009	7/09-6/10 CIS PMPM
MF 1-5	20,871	\$ 11.20
MF 6-14	28,859	\$ 25.46
M 15-44	11,423	\$ 8.79
F 15-44	29,291	\$ 3.89

CAITS Savings
-47%
-42%
-42%
-34%

Adjusted 7/09-6/10 CAITS PMPM	PMPM to B.L.
\$ 5.92	\$ 1.23
\$ 14.77	\$ 4.23
\$ 5.14	\$ 0.58
\$ 2.56	\$ 0.74

RC Core Excl. EFP 100,673

\$ 6.79 \$ 6.79

*** Refer to the Amended Rite Care Data Book dated January 20, 2009 (for the 7/1/08 - 6/30/09 rate period) for a complete description of the CAITS In-Plan proram initiative, and the methodology for the rate adjustment**

¹ The trends are assumed to be 8.5% as indicated by the 2-year weighted average for all cap cells, for 7 months from the midpoint of the base period to 8/1/08, and 0% from 8/1/08 to the midpoint of the rate period (1/1/10), to account for the effects of case management by DHS which was begun in August 2008

Note: Early and very preliminary figures indicate that case management activities have resulted in savings due to reductions in utilization, however, to be conservative, we are assuming 0% trend.

Rite Care July 1, 2009 - June 30, 2010
Capitation Rates

Capitation Rate Cell	Medical Component Before Adjustments	Generic Drug First Program Adjustment	CAITS In-Plan Services	Medical Component of Capitation Rates
MF <1	\$ 523.64	\$ (2.11)	\$ -	\$ 521.52
MF 1-5	\$ 133.50	\$ (2.04)	\$ 5.92	\$ 137.38
MF 6-14	\$ 114.06	\$ (6.61)	\$ 14.77	\$ 122.22
Males 15-44	\$ 180.31	\$ (10.59)	\$ 5.14	\$ 174.86
Females 15-44	\$ 274.80	\$ (14.41)	\$ 2.56	\$ 262.95
MF >44	\$ 445.50	\$ (32.12)	\$ -	\$ 413.38
Total	\$ 210.37	\$ (9.32)	\$ 6.79	\$ 207.84

Admin Component of Capitation Rates	2% Premium Tax
\$ 52.62	\$ 11.72
\$ 13.66	\$ 3.08
\$ 13.04	\$ 2.76
\$ 19.26	\$ 3.96
\$ 27.18	\$ 5.92
\$ 44.97	\$ 9.35
\$ 21.66	\$ 4.68

Proposed SFY 2010 Capitation Rates
\$ 585.86
\$ 154.12
\$ 138.02
\$ 198.08
\$ 296.05
\$ 467.71
\$ 234.18

EFP	\$ 15.04	\$ -	\$ -	\$ 15.04
-----	----------	------	------	----------

\$ 1.57	\$ 0.34
---------	---------

\$ 16.95

SOBRA	\$ 9,189	\$ -	\$ -	\$ 9,189
-------	----------	------	------	----------

\$ 777	\$ -
--------	------

\$ 9,966
